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Our File Number 43056-00001

December 29, 2006

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Arizona Corporation Commission
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DEC 29 2006

Arizona Corporation Commission
Utilities Division – Docket Control
1200 W. Washington Street
Phoenix, Arizona 85007

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Re: UniSource Energy Services Progress Report
Docket Nos. E-01032C-00-0751, G-01032A-02-0598, E-01933A-02-0914, E-01032C-02-0914, G-01032A-02-0914
A.C.C. Decision No. 66028

Pursuant to A.C.C. Decision No. 66028, UniSource Energy Services (“UES”) files this progress report on the negotiations to restructure the Pinnacle West Capital Corporation (“PWCC”) Power Supply Agreement (“PSA”). The currently sustained environment of high and volatile natural gas and power prices has not been conducive to renegotiating the PWCC PSA to receive better terms. However, UES continues to evaluate other supply options for an advantageous contract restructuring opportunity.

Very truly yours,

LEWIS AND ROCA LLP

Michael T. Hallam

cc: Ernest Johnson, Utilities Division Director
A.C.C. Compliance Manager
All Parties of Record

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